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Executive Director

ARIZONA CORPORATION COMMISSION

February 2, 2006

Commissioner Marc Spitzer
Commissioner William A. Mundell
Commissioner Mike Gleason
Commissioner Kristin Mayes

Re: Proposal by Standard and Poor's

Dear Colleagues:

The recent Open Meeting on APS' Plan of Administration and Surcharge Application prompted many questions from Commissioners, including myself, about how the major credit rating agencies determine the creditworthiness of an investor owned utility.

After reviewing the transcript of the APS adjustor case, Anne Selting of Standard and Poor's (S&P's) e-mailed me with an offer to make a presentation to the Commissioners on S&P's credit rating process. Ms. Selting is an Associate Director for S&P's Utilities, Energy and Project Finance Division.

In addition, Ms. Selting could also respond to our concerns regarding S&P's unfamiliarity with our regulatory process, which is very different from other public utility commissions around the country.

Here is a copy of Ms. Selting's e-mail:

Chairman Hatch-Miller:

Following on our brief discussion of earlier today, I wanted to offer to the Arizona Corporation Commission the option of meeting with Standard & Poor's at a convenient time in Phoenix. We strive to make the ratings process as transparent as possible. My review of last week's open meeting transcripts indicates that perhaps there are remaining questions regarding how we evaluate credit quality. We would be happy to answer these questions, as we have with commissions in other states. In that context, we do not discuss pending matters before the ACC, and are mindful of the restrictions on the commission to comment on these matters. Rather, the meeting would be an opportunity to speak about our ratings methodology, the derivation of a business profile score, and the meaning and use of our credit metrics. Please feel free to get in touch with me if this would be of interest.

Anne Selting
Associate Director - Utilities, Energy & Project Finance
Standard and Poor's

Page 2
February 2, 2006

With your support, I would like to ask Mr. McNeil to schedule a meeting with Standard and Poor's. Perhaps it would be best to use an existing Open Meeting date for this purpose. I expect the presentation and follow-up discussion to last a maximum of two hours.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Hatch-Miller". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Jeff Hatch-Miller
Chairman

Cc: Brian McNeil
Ernest Johnson